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BOB ALDRICH
Acting Executive Officer

August 11, 2004

TO: Local Agency Formation Commission

FROM: Acting Executive Officer

SUBJECT: Legislative Report

Past the Impasse

After almost one month of debate and deadlock between the Schwarzenegger Administration and lawmakers on the state budget following the July 1st deadline, an accord was finally reached on August 26th by the "Big Five" (party leaders from both houses and Governor Schwarzenegger). A key point of disagreement in July's debates was the deal made in prior months between the Governor and local government officials providing for the funneling of \$2.6 billion from city and county coffers to the state over two years in exchange for the constitutional protection and guarantee of local government tax dollars from future state raids. Key negotiators in these talks finally reached agreement to include an additional provision that would give the state the ability to "borrow" property tax revenues from cities and counties in times of fiscal crises but only if approved by two-thirds vote of the Legislature and limited to twice in a 10-year period. The final budget package will go before both houses for approval.

2004 LAFCO Bills

Staff is continuing to work closely with CALAFCO on 2004 legislation affecting LAFCOs, including several measures the two organizations have taken similar positions on. The table below provides a brief outline of the various bills of interest to LAFCO this year and legislative positions adopted by the Commission. Bills considered "dead" or irrelevant to LAFCO this session have been omitted.

	Position	Bill Number	Author	Topic / Summary
1	Watch	AB 1936	Berg	City-county consolidations
2	Support	AB 2067	Harman	Consolidations of "dissimilar" agencies
3	Oppose	AB 2306	Richman	LAFCO authority to impose terms and conditions
4	Support	AB 3077	Asm Local Govt Comm	Omnibus bill for technical clarifications in the LAFCO law
5	Support	SB 1266	Torlakson	Size limit of island annexations

The following is a report on 2003-04 bills of interest to LAFCO, including a summary, analysis, and status report of each bill. There are no new recommended legislative positions this month.

STAFF RECOMMENDATION

Staff recommends that the Commission:

1. Receive and file the August 11, 2004 Legislative Report.

Respectfully submitted,

BOB ALDRICH

Bill text is available for viewing and downloading in HTML and PDF formats on the Legislative Counsel's website at <http://www.leginfo.ca.gov>, or upon request to staff. A copy of the 2003-04 tentative legislative calendar is also attached.

CALAFCO Legislation

CALAFCO is working with Assemblyman Harman's office this year on proposed LAFCO legislation, **AB 2067**, that seeks to provide maximum flexibility to both LAFCOs and special districts to effectuate changes of (re)organization that ultimately benefit California's ratepayers. CALAFCO is engaged in cooperative and collaborative

discussions with the Association of California Water Agencies ("ACWA") on AB 2067 and the possibility of paving new avenues for the consolidation of dissimilar agencies.

► **AB 2067 (Harman)**

Sponsored by CALAFCO, **AB 2067 (Harman)** would broaden the definition of "consolidation" by eliminating the restriction that consolidations may only occur between special districts formed under the same principal act. Under AB 2067, LAFCO could approve the consolidation of two or more "dissimilar" special districts and designate the principal act under which the newly formed and consolidated special district would function and operate. The bill would also allow LAFCO to designate other successor agencies for any powers of the predecessor districts that the newly formed district cannot pick up and exercise under its principal act. If there is any power that will not be picked up by a successor agency, LAFCO must conclude and determine that there will not be a significant negative impact to public health or safety. The bill was recently amended in the Senate Local Government Committee and now includes a three and a half year sunset clause which provides that the affected statutes will revert to its pre-AB 2067 status on July 1, 2008

AB 2067 paves new ground for LAFCOs and special districts to more effectively explore methods, opportunities, and alternatives for the reorganization of agency boundaries that promote the efficient and cost-effective delivery of public services while reducing redundancy and the overlapping of service territories. CALAFCO is continuing to work closely with ACWA on AB 2067 as the bills moves through the Senate.

- **Status:** On Senate Floor – Third Reading File.
- **Position:** Support

LAFCO Policies and Terms & Conditions

► **AB 2306 (Richman)**

As introduced in February, **AB 2306 (Richman)**, was a placeholder bill with no substantive content. The bill was amended in April, however, to contain very substantive language that would prohibit LAFCOs from imposing terms and conditions on annexations that would require the initiation of an island annexation under the streamlined provisions of the law if the island is a separate, noncontiguous area from the original application. The bill is sponsored by the City of Simi Valley in Ventura County and is the product of local debates between the City and Ventura LAFCO about a local LAFCO policy that requires cities to file for

annexation of all islands within their boundaries prior to LAFCO approval of any territory outside of the cities. The policy is similar to other local policies LAFCOs have adopted in the state addressing infill opportunities. AB 2306 would establish statutory provisions that supersede such local policies.

The ability and flexibility to apply terms and conditions to applications is critical to the effectiveness of LAFCO in fulfilling its legislative charge and mission to promote logical and efficient boundaries, including the annexation of unincorporated islands. The impetus for AB 2306 is a local issue that should be addressed at the local level without a state legislative fix. The Commission opposes AB 2306.

- **Status:** On Senate Floor – Third Reading File.
- **Position:** Opposed

Small Island Annexations

► **SB 1266 (Torlakson)**

As introduced, **SB 1266 (Torlakson)**, would have made a series of amendments to the existing island provisions of the Cortese-Knox-Hertzberg (CKH) Act to lessen the thresholds that trigger mandatory approvals by LAFCO of island annexations. The bill was sparked by local controversies in Contra Costa County and was opposed by CALAFCO. Following heavy debate over the bill in committee, SB 1266 was entirely gutted with the sole exception of a single provision that increases the size limitation of island annexations under the streamlined provisions of the CKH Act from 75 to 150 acres. With these recent changes to the bill, the Commission gave its “support” to the bill. Staff’s review of the inventory of unincorporated islands in Orange County showed that the increase in the acreage limitation would allow for the annexation of eight additional islands in the County under the streamlined provisions of the Act.

SB 1266 was signed and chaptered into law on July 6, 2004 and will become effective on January 1, 2005.

- **Status:** Signed and chaptered – Chapter 96, Statutes of 2004
 - **Position:** Support
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City-County Consolidations

► **AB 1936 (Berg)**

Recent issues and controversies that have surfaced in the upper part of the state have prompted the introduction of special legislation that would establish new procedures for the consolidation of the County of Del Norte and its only city, Crescent City, into a single "City-County of Crescent Del-Norte" like the City-County of San Francisco. The bill is an indicator of new measures local governments are willing to explore to protect the welfare of their constituents from the fallout of the state's fiscal crisis.

- **Status:** In Senate Appropriations Committee.
- **Position:** Watch

Clarifying Changes to LAFCO Law

► **AB 3077 (Assembly Local Government Committee)**

Over the years, CALAFCO has improved its visibility in Sacramento and its relations with legislative delegates and staff. One product of those improved relations is **AB 3077**. Since the passage of "the Hertzberg bill," AB 2838 (Chapter 761, Statutes of 2000), CALAFCO has worked closely with the various local government associations in Sacramento and legislative staff to "clean up" various areas of the CKH Act. Beginning this year, CALAFCO and the Assembly Local Government Committee will be working together on an ongoing basis to craft an omnibus bill specific to the CKH Act. AB 3077 proposes a series of technical, non-controversial, clarifying changes to the CKH Act.

- **Status:** Passed Senate Floor. Assembly concurrence in Senate amendments are pending.
 - **Position:** Support
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TENTATIVE LEGISLATIVE CALENDAR 2003-04 REGULAR SESSION

2004

- Jan. 1 Statutes take effect (Art. IV, Sec. 8(c))
- Jan. 5 Legislature reconvenes (J.R. 51(a)(4)).
- Jan. 10 Budget must be submitted by Governor (Art. IV, Sec. 12(a)).
- Jan. 16 Last day for policy committees to hear and report to Fiscal Committees fiscal bills introduced in their house 2003 (J.R.61(b)(1)).
- Jan. 23 Last day to submit bill requests to the Office of Legislative Counsel.
- Jan. 23 Last day for any committee to hear and report to the Floor bills introduced in their house in 2003 (J.R. 61 (b)(2)).
- Jan. 31 Last day for each house to pass bills introduced in 2003 in their house (J.R. 61 (b)(3)) and (Art. IV, Sec. 10(c)).
- Feb. 20 Last day for bills to be introduced (J.R. 54(a)).
- Apr. 1 Spring Recess begins at end of this day's session (J.R.51 (b)(1)).
- Apr. 12 Legislature reconvenes (J.R. 51(b)(1)).
- Apr. 23 Last day for policy committees to hear and report to Fiscal Committees fiscal bills introduced in their house (J.R. 61(b)(5)).
- May 7 Last day for policy committees to hear and report non-fiscal bills introduced in their house to floor (J.R. 61(b)(6)).
- May 14 Last day for policy committees to meet prior to June 1 (J.R. 61(b)(7)).
- May 21 Last day for Fiscal Committees to hear and report to the Floor bills introduced in their house (J.R. 61(b)(8)).
- May 21 Last day for Fiscal Committees to meet prior to June 1 (J.R.61(b)(9)).
- May 28 Last day for bills to be passed out of the house of origin (J.R. 61(b)(10)).
- June 1 Committee meetings may resume (J.R. 61(b)(11)).
- June 15 Budget must be passed by midnight (Art. IV, Sec. 12(c)).
- June 25 Last day for a legislative measure to qualify for the general election (Nov. 2) ballot (Elec. Code Sec. 9040).
- June 25 Last day for policy committees to meet and report bills (J.R. 61(b)(12)).
- July 2 Summer Recess begins at the end of this day's session if Budget Bill has been enacted (J.R. 51(b)(2)).

- Aug. 2 Legislature reconvenes (J.R. 51(b)(2)).
- Aug. 13 Last day for Fiscal Committees to meet and report bills to Floor (J.R. 61(b)(13)).
- Aug. 16 Through Aug. 31 – Floor session only. No committees, other than the committee on rules or conference committees, may meet for any purpose (J.R. 61(b)(14)).
- Aug. 20 Last day to amend bills on the Floor (J.R. 61 (b)(15)).
- Aug. 31 Last day for each house to pass bills (Art. IV, Sec 10(c)) and (J.R. 61(b)(15)).
- Aug. 31 Final Recess begins at end of this day's session (J.R. 51(b)(3)).
- Sept. 30 Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in his possession on or after Sept. 1 (Art. IV, Sec. 10(b)(2)).
- Oct. 2 Bills enacted on or before this date take effect on Jan. 1, 2005 (Art. IV, Sec. 8(c)).
- Nov. 30 Adjournment Sine Die midnight (Art. IV, Sec. 3(a)).
- Dec. 6 12M Convening of the 2005-06 Regular Session (Art. IV, Sec. 3 (a)).

2005

- Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).